
Sifton
Properties
Limited



Annual
Report
1973

Sifton Properties Limited is a fully integrated Real Estate Company. Sifton develops and manages income producing properties, acquires and sells land, builds and sells houses and condominiums. During 1973, the Company was active in Southwestern Ontario in London, Guelph, Brantford and, in addition, expects to be active in Simcoe, Port Dover and the Sarnia areas during 1974.

The Company has entered into manufactured building products and, through a joint venture, the Building Supply business. These activities are in keeping with the Company's desire for growth, diversification and expansion. For over 50 years the Company has grown throughout Southwestern Ontario, and is expecting to retain its leadership position in this area while expanding both its products and markets.

To Our Shareholders:

Consolidated net profit for the first six months of 1973 was \$601,263 or 43 cents per share compared to \$249,662 or 18 cents for the same period in 1972. Cash flow increased to 81 cents per share from 41 cents for the same period.

The home building industry and the Company have experienced almost total capacity sales for this six months as well as the last six months of 1972. It is anticipated that this volume will continue at a high level throughout 1973, and your Company's earnings should reflect a good growth for the year.

The Company continued to add to its investment properties. During the period, we completed the Westmount Centre, 84 townhouses and two industrial buildings for a total of 2.3 million dollars. It is expected that all areas of investment, commercial, industrial and residential, will add further to our assets in the last six months of the year. The commercial and industrial portions of our portfolio are particularly encouraging and are assisting in preventing fluctuations due to residential vacancy factors, etc. These vacancies in the London market have been uncomfortably high; however, your Company has been able to maintain a reasonable vacancy rate throughout this period.

W.M. SIFTON
PRESIDENT

JULY, 1973
P.O. Box 5099 — Terminal "A"
LONDON, ONTARIO, N6A 4M8

Interim Report
SIX MONTH PERIOD
ENDED JUNE 30, 1973



Sifton
PROPERTIES LIMITED
LONDON ONTARIO

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CONSOLIDATED STATEMENT OF EARNINGS

FOR THE SIX MONTHS ENDED JUNE 30, 1973

Unaudited and Subject to Year-End Adjustments

	1973	1972
HOUSING AND LAND SALES		
Gross Revenue	\$ 4,845,719	\$ 3,834,437
Direct Costs	3,578,152	3,161,745
Selling, General and Administrative Expenses	478,373	324,521
Depreciation of Equipment	14,594	11,102
Division Profit	\$ 774,600	\$ 337,069
INVESTMENT PROPERTIES — COMMERCIAL, INDUSTRIAL AND RESIDENTIAL		
Gross Rental Revenue	\$ 1,917,109	\$ 1,335,313
Property Taxes, Maintenance and Administrative Expenses	699,542	597,599
Mortgage Interest	678,089	503,321
Depreciation	131,391	86,680
Division Profit	\$ 408,087	\$ 147,713
Share of Earnings of 50% owned Companies	21,736	—
EARNINGS, Before Income Taxes	\$ 1,204,423	\$ 484,782
Income Taxes Payable	206,720	—
Deferred Income Taxes	396,440	235,120
NET EARNINGS FOR THE PERIOD	\$ 601,263	\$ 249,662
EARNINGS PER SHARE	43¢	18¢
CASH FLOW PER SHARE	81¢	41¢
Common Shares Outstanding	1,412,000	1,407,400

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE SIX MONTHS ENDED JUNE 30, 1973

Unaudited and Subject to Year-End Adjustments

	1973	1972
SOURCE OF FUNDS		
Net Earnings for the Period	\$ 601,263	\$ 249,662
Non-Cash Items Included in the Determination of Net Earnings:		
Depreciation	145,985	97,782
Deferred Income Taxes	396,440	235,120
Funds Provided from Operations	\$ 1,143,688	\$ 582,564
Mortgage Proceeds and Repayments ..	4,283,165	1,627,482
Decrease in Mortgages Receivable	408,371	27,749
Increase in Sales and Rental Deposits ..	325,395	200,770
Decrease in Accounts and Notes Receivable	208,507	(711,617)
Increase in Income Taxes Payable	139,307	—
Proceeds from Issue of Shares	6,510	6,440
	<u>\$ 6,514,943</u>	<u>\$ 1,733,388</u>
USE OF FUNDS		
Additions to Investment Properties and Other Equipment	\$ 3,160,182	\$ 1,271,831
Repayment of Bank Advances	1,681,476	(188,720)
Increase in Inventories of Properties for Sale	920,803	1,174,737
Decrease in Accounts Payable and Accrued Liabilities	392,277	(592,185)
Increase in Investments in 50% owned Companies	286,426	—
Other Changes in Assets and Liabilities	73,779	67,725
	<u>\$ 6,514,943</u>	<u>\$ 1,733,388</u>

Financial Highlights

				% Change
(in thousands of dollars)	1973	1972	1971	1973-1972
Total Assets	\$ 51,284	\$ 40,908	\$ 28,435	+ 25
Income Producing Properties	27,219	19,256	13,226	+ 41
Land Bank — Land held for development	9,380	6,487	2,188	+ 45
— Land under development	3,986	3,528	3,536	+ 13
Total Revenue	18,022	11,714	6,461	+ 54
Revenue From Housing and Land Sales	13,580	8,642	4,432	+ 57
Revenue From Income Producing Properties	4,390	3,050	2,029	+ 44
Long Term Debt	25,547	18,354	11,166	+ 39
Shareholders' Equity	6,270	5,098	4,302	+ 23
Shareholders' Equity Per Common Share	4.43	3.62	3.06	+ 22
Net Earnings	1,241	821	500	+ 51
Net Earnings Per Common Share	.88	.58	.36	+ 52
Cash Flow	2,566	1,745	1,107	+ 47
Cash Flow Per Common Share	1.82	1.24	.79	+ 47
Common Shares Outstanding	1,415,000	1,409,800	1,404,600	

List of Directors

Harry L. Sifton
Honourary Chairman of the Board of Directors
of the Company

W. Mowbray Sifton
Chairman of the Board of Directors
of the Company

Kenneth R. Good
President
of the Company

Ronald D. Bedard
Vice-President, Marketing and General Manager
of the Company

Harold F. Durkee
Vice-President, Administration and Finance,
and Secretary-Treasurer of the Company

Ross M. Hanbury
Vice-President and Director,
Wood Gundy Limited

John W. Adams
Executive Vice-President and Treasurer,
Emco Limited

Frank F. Wiley
President, S. C. Johnson and
Son Limited

Auditors

Coopers & Lybrand
London, Ontario

Fiscal Agents

Wood Gundy Limited
Toronto, Ontario

Register and Transfer Agent

The Royal Trust Company
Corporate Trust Department,
Stock Section
P.O. Box 7500
Postal Station "A"
Toronto, Ontario M5W 1P9

Stock Listed

Toronto Stock Exchange

Head Office

P. O. Box 5099,
Terminal A,
London, Ontario
N6A 4M8

To The Shareholders

Sifton Properties Limited has experienced another year of substantial growth. In keeping with our philosophy of balanced expansion in the many sectors of the Real Estate Industry in which we are active, we were successful in adding new and exciting Divisions to further broaden our activities. On behalf of the Board of Directors, we are pleased to present this report for 1973.

Total revenue for the year increased 54% to \$18,022,004 in 1973, from \$11,714,675 in 1972. Net earnings for the year increased to \$1,241,762 from \$821,812 in 1972 or 51%. Earnings per share based on an average of 1,412,066 shares outstanding increased to 88c from 58c in 1972, and cash flow increased to \$1.82 from \$1.24 or 47% over 1972. This substantial increase in earnings and cash flow is a result of increased volume in housing and land sales and rental revenues.

During the year, the Company was active in building and sales in London and Guelph, building and renting in London, Guelph and Brantford, and securing land and doing preparatory work for the start of a full program during 1974 in Simcoe - Port Dover, as well as Corunna in the Sarnia area. This will provide the Company with a balanced program in a minimum of five Ontario centres during 1974, and it is anticipated that this very much broader geographical base will greatly assist in our growth plans.

Altec Buildings Limited, a wholly owned subsidiary, produced its first houses late in the year. This new Company researched and developed a very saleable modular factory built home during 1973, and during the winter has now completed a merchandising program. At the same time, Altec has developed a very successful truss manufacturing assembly and soon will expand this into a building panelizing system. The merchandising of both the modular homes and the panelizing or component homes will be done both through Builder / Dealers as well as the Company's own Divisions. We have been careful to ensure that the manufacturing facilities are flexible to permit volume to be dictated by sales while maintaining a reasonable return. All development costs have been written off in 1973, and we are confident that Altec will become profitable in 1974.

The Company's 50% owned subsidiary, Sifco Investments Limited, purchased another retail building supply outlet in November. This Subsidiary is now returning handsomely to the Company's consolidated earnings, and it is expected that our efforts in this direction will add future outlets as quickly as the opportunity presents itself. The Company also reorganized its municipal servicing contract Division into a wholly owned subsidiary, Dynamo Servicing (London) Inc. This change will permit better control and management of this specialized part of the overall development industry and permit Dynamo to successfully contract outside work as well as maintain crews for the Company's

servicing needs.

While the North American economy in general is in a state of flux, we do not share the gloom of some economists. The Real Estate Industry in South-western Ontario and other growth oriented geographic areas will continue to be strong during 1974. Demand remains high for residential and industrial needs. Building costs are rising substantially, while land costs fanned by the anti-growth leagues and the selfish and arrogant attitudes of those who have accommodation towards those who are yet trying to acquire an equal standard of shelter are pricing many Canadians out of the market. Social attitudes, Governmental commitments and the Industry's ingenuity must work towards a goal of faster approvals and less ostentatious housing units. We are flooded in all media about the need to change public attitudes on transportation, but there is a complete vacuum on the need to change those same attitudes on housing.

During the current year, your Company expects to enter the conversion condominium market. Condominium townhouses are now receiving a degree of public acceptance, and while the Company is building and selling as many new units as Permits and Supplies will allow, it now expects to convert existing rental units to ownership units at a figure well below the cost of new units. This will then enable more people the pleasure of home ownership. At the present time, the Company hopes to purchase 150 units on the market for this program in 1974.

This report would not be complete without some comment on our joint venture in the Nanticoke area. At this writing, the future of 12,000 acres optioned immediately north of the Steel Company of Canada's new industrial complex on Lake Erie is waiting input from the Ontario Government. It is expected that the Haldimand-Norfolk Regional Government, started on April 1st of this year, will be able to ensure good planning for the area, and that the new City site will be chosen. The Consortium are confident that the optioned lands, by all planning criteria, is the best location for the existing challenge of a new City. Your Company looks forward to accepting this challenge and pledges its experience and expertise to a goal of providing 150,000 people with good environment, economical housing and total City amenities within the time span dictated by the need of the area.

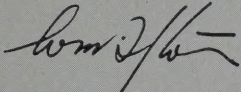
During March of 1974, the Company entered a 50% joint venture with Ronyx Corporation Limited to build and sell condominiums in the Florida market. Arkton Corporation Limited has purchased land in the Palm Beach area for 351 apartments and expects a four year program to complete the project. We are confident of the quality market in Florida, and although some signs of weaknesses have appeared, it is centred on projects where imagination and integrity were lacking on the part of the Developer.

At the end of 1973, the Board of Directors elected

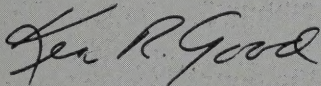
Income Producing Properties

W. M. Sifton Chairman and Kenneth R. Good President of the Company. This change was necessitated by the goals of the Company to expand and grow. Consequently, Mr. Sifton is charged with the corporate planning, acquisitions and mergers, and Mr. Good as Chief Operating Officer. The Directors wish to express their appreciation to all employees for their loyalty and devotion, and to our shareholders and customers for their continued support.

On behalf of the Board of Directors.



W. Mowbray Sifton
Chairman



Kenneth R. Good
President

London, Ontario
April 8, 1974

During the year, Sifton acquired 24% of its total revenue from properties owned and managed by the Company. These income producing properties included 1,016 townhouses, 417 apartment units, 264,036 square feet of retail space, 157,533 square feet of office space and 66,000 square feet of industrial space. The increase of rental revenue from \$3,050,289 in 1972 to \$4,390,295 in 1973 is a result of the importance the Company places on expanding this area of its activities.

During the year the Company developed and leased 269 rental units and 217,000 square feet of commercial and industrial space. At the end of the year, a 50% joint venture of 68,934 square feet was 95% completed and 70% leased. Known as 495 Richmond, this quality nine-storey office building in downtown London will contribute to earnings in the future. Also under construction at the end of the year were 924 residential rental units. Early in 1974, the 203,700 square foot first phase of Stone Road Mall in Guelph was started and is scheduled for completion and opening in November of this year. It is expected that several industrial buildings will also be built and leased during 1974.

The steep escalating construction costs have out-paced the current residential rental rates, and therefore, the immediate future for new rental accommodation appears to be minimum. The Company expects to complete, by the end of the year, a 94 unit deluxe one floor rental Town Homes. These units are very spacious and are being designed with the well established customer in mind. Other, more standard, family or adult accommodation will be added to our portfolio in minimum numbers until the ratio between construction costs and rental revenue is in line.

A listing of the Company's income producing properties appears on Page 4 of this report.



Summary of Income Producing Properties

Residential Townhouses

Berkshire Village — London	612
Westmount — London	96
Priory Park — Guelph	248
Brier Park — Brantford	60
Total Units	1,016

Residential — Apartments

550 Berkshire — London	133
Westmount Gate — London	149
Executive House — London	46
Village Green Mews — London	89
Total Units	417

Retail Commercial

Shopping Centre, Westmount Mall — London	251,853
Village Stores — London	12,183
Total Square Feet	264,036

Office Commercial

Oakridge Office Centre — London	47,640
495 Richmond (50% owned) — London	68,934
Nor'West Education — London	16,600
Berkshire Club — London	17,900
Executive House — London	6,459
Total Square Feet	157,533

Warehouse Commercial

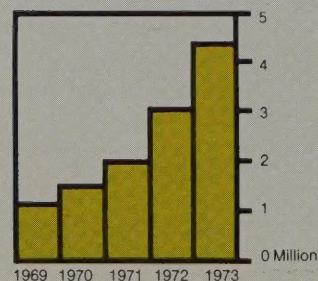
Nor'West Ford & ETS Ltd.—London	9,000
Nor'West Dry Dock—London	6,000
549 First Street—London	51,000
Total Square Feet	66,000

Leisure Recreation

Lakewood Golf Club — Windsor	18 holes & clubhouse
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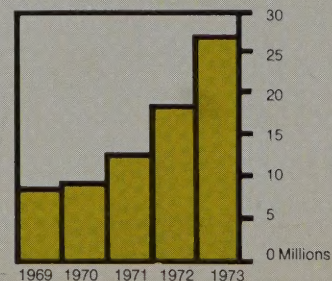
Revenue

Income
Producing
Properties:



Assets

Income
Producing
Properties:



Summary of Income Properties Under Development

Stone Road Mall

Priory Park Guelph 184,282 rentable square feet —
expansion for additional 195,000 rentable square feet
Estimated Completion — Fall '74

Brier Park Shopping Centre

Brier Park Brantford 4,150 rentable square feet —
expansion for additional 14,410 rentable square feet
Estimated Completion — Fall '74

Westmount Professional Offices

London 4,600 rentable square feet
Estimated Completion — Summer '74

Oakridge Office Centre — London

11,000 square foot addition — making a total 58,640
rentable square feet

South West One — London

94 one-floor town home units with underground parking
Estimated Completion — Fall '74

Westmount Townhouses — London

217 units making a total of 313 units in Westmount
Estimated Completion — Summer '74

Priory Park Townhouses — Guelph

227 units making a total of 475 units in Guelph
Estimated Completion — Fall '74

Brier Park Townhouses — Brantford

161 units making a total 221 units in Brantford
Estimated Completion — Spring '74

Nor'West Warehouse Commercial — London

28,700 rentable square feet
Estimated Completion — Spring '74

Boardwalk Apartments — London

98 units making a total of 642 units
Acquiring in — Spring '74

555 Berkshire Drive — London

127 units making a total of 642 units
Estimated Completion — Spring '74

Priory Park Club — Guelph

3,355 rentable square feet
Estimated Completion — Summer '74

Housing and Condominium Homes

During the year, Condominium townhouses received exceptional buyer acceptance, and the Company sold and delivered 88 in London and Guelph. The single family house continued to be in strong demand, but increased costs and shortages plagued the industry. The Company experienced a low profit margin during the last two months of '73 due to an unusually heavy pre-selling period in the summer. This situation has now been corrected.

At the end of the year, the Company had 167 condominiums and 45 houses under construction. Sales of these units remain brisk and it would appear that 1974 will be a year of shortages and increased costs.

Our Carnaby Division in the Whitehills area of London was forced to close down in November '73 due to a lack of serviced land. Subdivision approval, which should have been available in July last year, is now expected in April of 1974. This will then permit that Division a good eight months production for the year ahead.

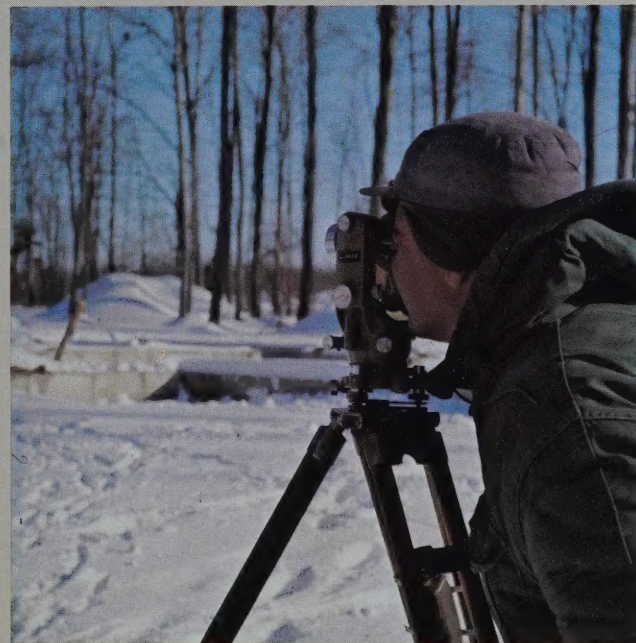
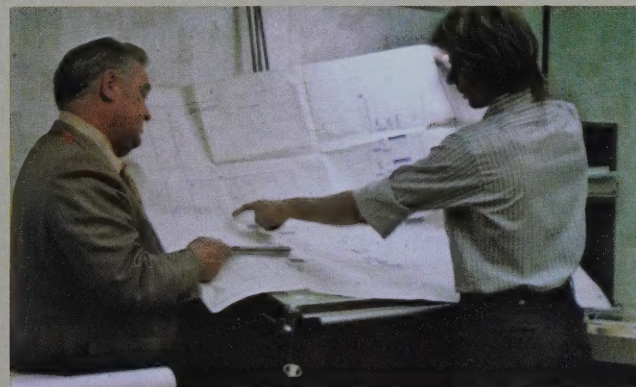


Land Development

During the year, the Company sold 263 lots to builders under our policy of servicing the Building Industry. In 1973, the Company did not register a plan of subdivision, and while four plans are expected to be registered in 1974, anything less would force us to curtail this policy.

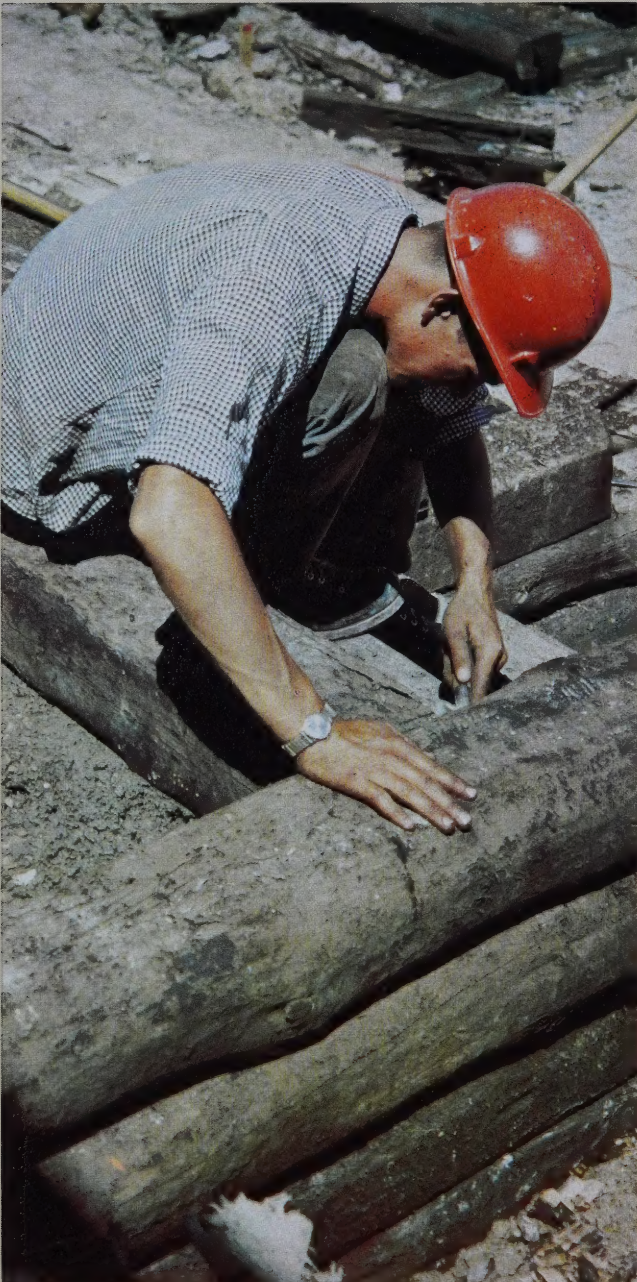
A wholly owned subsidiary, Dynamo Servicing (London) Inc., was formed at the end of 1973 to carry out our municipal servicing, both for the Company's needs and on contract. It is expected that with a clearer identity and a more defined purpose, this new Subsidiary will contribute to earnings to an ever increasing degree.

The Company now controls 3,060 acres in Windsor, Lake Huron, Brantford, Guelph, Corunna — near Sarnia and in the London area. Land is the basic raw material for a Real Estate Company, and Sifton Properties Limited intends to add to this land bank whenever possible.



Construction

During 1973, the Commercial Construction Division completed 92 units of townhouses, 127 units of apartments, 120,000 square foot expansion of Westmount Mall, three industrial buildings of 30,000 square feet, and an addition to our Village Stores Centre. These buildings were turned over to our Income Producing Properties Divisions. In addition to work completed for the Company's investment, the Division also completed three outside contracts totalling approximately \$625,000. The Division ended the year with a number of projects in final planning or under construction, and is expected to be very busy throughout 1974.



Manufactured Products and Building Materials

Altec Buildings Limited, a wholly owned subsidiary, started late in 1973 and completed their first factory-built housing units. A marketing program has been active and 100 sales are expected during 1974. Altec also will be entering the panelization of factory sections to complement its successful truss manufacturing. The start-up costs have all been written off during 1973, and a profit is expected in 1974.

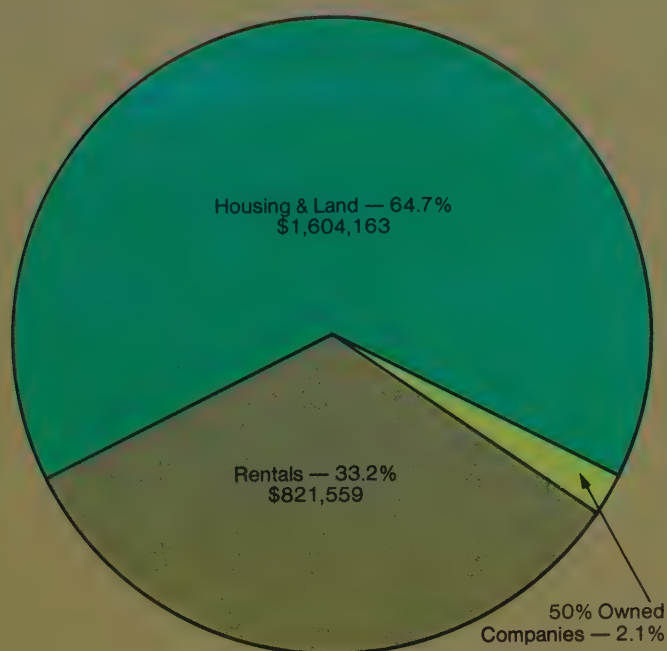
Sifton Properties Limited is a 50% joint venture partner in the building and retail supply business. The early returns were very satisfactory during 1973, and it is expected to increase the number of locations as quickly as possible. It would appear that a strong growth potential exists and as new homes become increasingly expensive, older homes will be up-dated on a do-it-yourself basis.



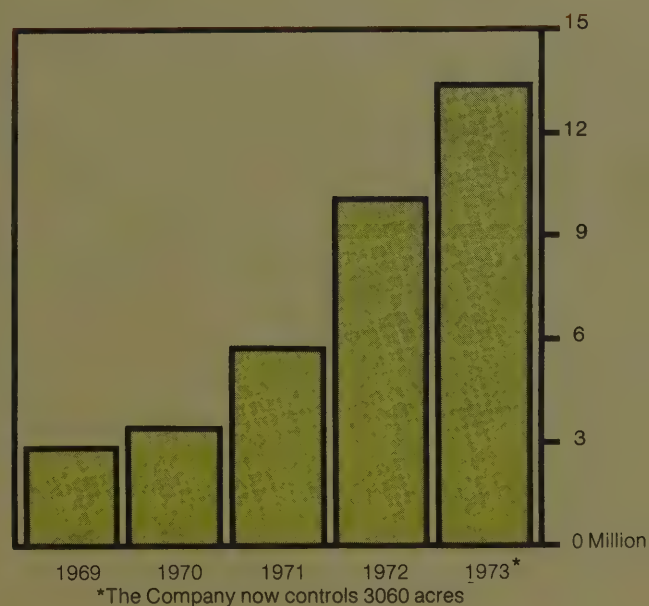
Five Year Financial Review

(in thousands of dollars)	1973	1972	1971	1970	1969
Total Assets	\$51,284	\$40,908	\$28,435	\$20,643	\$15,461
Shareholders' Equity	6,270	5,098	4,302	3,794	3,286
Total Revenue:					
Housing & Land Sales	13,580	8,642	4,432	3,916	4,919
Income Producing Properties	4,390	3,050	2,029	1,553	1,208
50% Owned Companies	52	22	—	—	—
Cash Flow	2,566	1,745	1,107	904	939
Net Earnings	1,241	821	500	392	405
Per Common Share (in \$):					
Cash Flow	1.82	1.24	.79	.65	.67
Earnings	.88	.58	.36	.28	.29
Dividends	.06	.04	—	—	—

Earnings Before Taxes



Land Bank



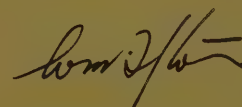
Consolidated Balance Sheet as at December 31, 1973

Sifton Properties Limited and Subsidiary Companies

Assets

	1973	1972
Accounts and notes receivable (note 2)	\$ 1,045,182	\$ 738,032
Mortgages receivable, at cost (notes 2 and 3)	363,750	872,555
Land held for development (notes 2 and 4)	9,380,164	6,487,415
Property under development (note 4)	7,205,873	10,571,767
Income producing properties (note 5)	27,218,998	19,256,499
Income properties under development (note 6)	5,078,864	2,714,396
Investments (note 7)	619,853	85,543
Operating equipment (note 8)	239,511	97,066
Prepaid expenses and other assets	132,283	85,479
	<u>\$ 51,284,478</u>	<u>\$ 40,908,752</u>

Signed on Behalf of the Board



W. Mowbray Sifton
Director



Kenneth R. Good
Director

Liabilities

	1973	1972
Bank advances (note 2)	\$ 1,171,060	\$ 2,105,871
Accounts payable and accrued liabilities	2,858,808	1,887,945
Sales and rental deposits	278,770	795,818
Estimated liability to complete land under development	1,718,559	4,524,182
Mortgages on land held for development (note 9)	5,100,315	3,650,383
Mortgage advances on property under development	1,126,505	1,517,318
Income taxes	252,764	45,474
Deferred income	—	148,400
Account payable on income producing property	—	1,250,000
Mortgages on income producing properties (note 9)	25,547,211	17,104,969
Mortgage advances on income properties under development (note 9)	3,797,273	556,501
Deferred income taxes	3,163,189	2,223,189
	<u>45,014,454</u>	<u>35,810,050</u>

Shareholders' Equity

Capital Stock (note 10)		
Authorized —		
3,000,000 common shares without par value		
Issued and fully paid —		
1,415,000 shares (1972 — 1,409,800)	1,928,270	1,913,990
Retained Earnings	4,341,754	3,184,712
	<u>6,270,024</u>	<u>5,098,702</u>
	<u>\$ 51,284,478</u>	<u>\$ 40,908,752</u>

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Sifton Properties Limited and its subsidiaries as at December 31, 1973 and the consolidated statements of earnings, retained earnings and source and use of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and use of their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND
Chartered Accountants
April 5, 1974

Consolidated Statement of Earnings for the year ended December 31, 1973

	1973	1972
Housing and Land Sales		
Gross Revenue	<u>\$ 13,579,699</u>	<u>\$ 8,641,967</u>
Direct Costs	10,853,007	6,957,050
Selling, general and administrative expenses (note 11)	1,065,672	550,306
Depreciation — operating equipment	<u>56,857</u>	<u>29,291</u>
	<u>11,975,536</u>	<u>7,536,647</u>
Division profit	<u>1,604,163</u>	<u>1,105,320</u>
Income Producing Properties		
Gross revenue	<u>4,390,295</u>	<u>3,050,289</u>
Property taxes, maintenance, administrative and other expenses	1,607,652	1,316,463
Mortgage interest (note 11)	1,633,637	1,094,055
Depreciation	<u>327,417</u>	<u>217,698</u>
	<u>3,568,706</u>	<u>2,628,216</u>
Division Profit	<u>821,589</u>	<u>422,073</u>
	<u>2,425,752</u>	<u>1,527,393</u>
Share of Earnings of 50% Owned Companies		
(note 7)	<u>52,010</u>	<u>22,419</u>
Earnings, before income taxes	<u>2,477,762</u>	<u>1,549,812</u>
Provision for Income Taxes — current	296,000	51,000
— deferred	<u>940,000</u>	<u>677,000</u>
	<u>1,236,000</u>	<u>728,000</u>
Net Earnings for the Year	<u>\$ 1,241,762</u>	<u>\$ 821,812</u>
Earnings Per Share on Average Shares Outstanding		
(note 10)	<u>\$.88</u>	<u>\$.58</u>

Consolidated Statement of Source and Use of Cash for the year ended December 31, 1973

	1973	1972
Source of Cash		
Net earnings for the year	\$ 1,241,762	\$ 821,812
Non-cash items included in the determination of net earnings — depreciation	384,274	246,989
— deferred income taxes	940,000	677,000
Cash flow from operations	2,566,036	1,745,801
Mortgage proceeds net of repayments	12,742,133	8,203,457
Decrease in mortgages receivable	508,805	—
Increase in accounts payable and accrued liabilities	970,863	727,197
Increase in sales and rental deposits	—	553,925
Increase in income taxes	207,290	(8,343)
Increase in account payable on income producing property	—	1,250,000
Share of 50% owned company's gain on acquisition of advances to its subsidiary company, net of applicable income taxes	—	18,119
Proceeds from issue of capital stock	14,280	12,540
	<u>17,009,407</u>	<u>12,502,696</u>
Use of Cash		
Increase in accounts and notes receivable	307,150	531,368
Additions to income properties and operating equipment	10,853,686	7,237,798
Increase in land held for development and property under development net of estimated liability to complete	2,332,478	5,038,065
Increase in mortgages receivable	—	387,016
Dividends paid	84,720	56,296
Decrease in sales and rental deposits	517,048	—
Decrease in account payable on income producing property	1,250,000	—
Increase in investments	534,310	58,341
Decrease in deferred income	148,400	—
Increase in prepaid expenses and other assets	46,804	39,330
	<u>16,074,596</u>	<u>13,348,214</u>
Increase (Decrease) in Bank Advances	<u>\$ (934,811)</u>	<u>\$ 845,518</u>
Cash Flow from Operations Per Share on Average Shares Outstanding	<u>\$ 1.82</u>	<u>\$ 1.24</u>

Consolidated Statement of Retained Earnings for the year ended December 31, 1973

	1973	1972
Balance — Beginning of Year	\$ 3,184,712	\$ 2,401,077
Net earnings for the year	1,241,762	821,812
Share of 50% owned company's gain on acquisition of advances to its subsidiary company, net of applicable income taxes	—	18,119
	<u>4,426,474</u>	<u>3,241,008</u>
Dividends paid	84,720	56,296
Balance — End of Year	<u>\$ 4,341,754</u>	<u>\$ 3,184,712</u>

Notes to Consolidated Financial Statements for the year ended December 31, 1973

1. Accounting Policies

The Company's accounting policies and standards of financial disclosure are in accordance with the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public Real Estate Companies of which the Company is a member.

Principles of Consolidation

The consolidated financial statements include:

- (i) The accounts of Sifton Properties Limited and all of its wholly owned subsidiaries.
- (ii) The Company's proportionate share of the assets, liabilities, revenue and expenses of its unincorporated joint ventures.
- (iii) The Company's proportionate share of the earnings of its 50% owned companies and companies in which there is significant ownership, on an equity basis.

Income Recognition

- (i) House Sales. Revenue from the sale of a house is recorded at the time the purchaser takes legal ownership of the property.
- (ii) Condominium Sales. Revenue from the sale of a condominium is recorded at the time the purchaser pays the amount due on closing, is entitled to occupancy, and undertakes to assume a mortgage for the balance of the purchase price.
- (iii) Land Sales. Revenue from the sale of land is recorded on closing provided all material conditions have been fulfilled and a minimum of 15% of the sale price is received in cash. Lot sales are completed on a cash basis and block sales are completed on the basis of a minimum of 15% cash plus short term mortgage. Land and development costs are pro-rated over the saleable acreage in relationship to its end use.

Income Producing Properties

Income producing properties are capitalized when the premises are 70% occupied or one year old, whichever occurs first. The value of the premises capitalized includes the costs of construction, carrying charges, leasing costs, an appropriate portion of general and administrative expenses less rental income received to the date of capitalization. Subsequent to capitalization revenue from income producing properties is recorded as earned.

Depreciation on Income Producing Properties

Depreciation on income producing properties is recorded on the sinking fund basis over the following terms:

High-rise residential	— 50 years
Low-rise residential, commercial and industrial	— 40 years

The sinking fund method provides a depreciation charge to income of an amount which increases at the rate of 5% compounded annually. This charge is sufficient to depreciate the buildings over their estimated useful lives.

Deferred Income Taxes

The Company follows the practice of deferring income taxes which would otherwise be payable, by claiming for income tax purposes, capital cost and other allowances in excess of amounts recorded in the accounts.

2. Bank Advances

The Company's bank advances are secured by a general assignment of book debts, a specific debenture covering certain land held for development, and a

floating charge debenture on the assets of the Company.

3. Mortgages Receivable

The current principal portion of the mortgages receivable amounts to \$240,269 (1972 — \$694,799).

Notes to Consolidated Financial Statements for the year ended December 31, 1973

4. Land Held For Development And Property Under Development

Land is recorded at cost plus applicable carrying charges to the date of sale resulting in a value not in excess of net realizable value.

Carrying charges, development costs and option costs added to the value of land held for development during the year are as follows:

	1973	1972
Development costs	\$ 157,295	\$ 471,317
Interest	194,749	106,087
Real estate taxes	11,624	7,550
Rental income	(33,360)	(22,526)
Option deposits	50,178	5,290
	<u>\$ 380,486</u>	<u>\$ 567,718</u>

5. Income Producing Properties

The cost of income producing properties and related accumulated depreciation consists of:

	1973			1972
	Cost	Accumulated depreciation	Net	Net
Land	\$ 3,482,440	\$ —	\$ 3,482,440	\$ 2,301,347
Buildings	23,775,151	672,111	23,103,040	16,626,746
Equipment	1,058,781	425,263	633,518	328,406
	<u>\$28,316,372</u>	<u>\$1,097,374</u>	<u>\$ 27,218,998</u>	<u>\$19,256,499</u>

Included in the value of buildings transferred to income producing properties during the year of \$6,348,135 (1972 — \$4,923,793) are carrying charges capitalized (mortgage interest, real estate taxes, less rental

revenue) and an appropriate portion of general and administrative expenses, amounting to \$146,993 (1972 — \$171,837).

6. Income Properties Under Development

	1973		1972	
	Costs to December 31	Estimated Additional Costs to Complete	Costs to December 31	Estimated Additional Costs to Complete
Residential	\$ 4,865,344	\$ 650,000	\$ 1,292,966	\$ 520,000
Industrial	213,520	20,000	43,455	50,000
Commercial	—	—	1,377,975	2,000,000
	<u>\$ 5,078,864</u>	<u>\$ 670,000</u>	<u>\$ 2,714,396</u>	<u>\$2,570,000</u>

The arranged financing, which had not been received at December 31, 1973, was sufficient to provide for the additional costs to complete the above projects.

Notes to Consolidated Financial Statements for the year ended December 31, 1973

7. Investments

Investments consist of:

	1973	1972
Investment in and advances to 50% owned companies	\$ 334,853	\$ 85,543
Advance to corporate joint venture	135,000	—
Non-interest bearing note receivable from affiliated company, due December 31, 1978	<u>150,000</u>	<u>—</u>
	<u>\$ 619,853</u>	<u>\$ 85,543</u>

The Company's portion of current year's earnings from 50% owned companies amounted to \$52,010 (1972 — \$22,419). Cumulative earnings to December 31, 1973 amounted to \$74,429 (1972 — \$22,419). The total cost of share investments in 50% owned companies at December 31, 1973 amounted to \$197,805 (1972 — \$505) which was \$78,638 in excess of net book value and it is not the Company's intention to amortize this excess.

8. Operating Equipment

These assets consist of automotive, office, plant, and heavy equipment valued at cost less accumulated depreciation of \$190,905 (1972 — \$133,156).

9. Mortgages on Land Held for Development, Income Producing Properties and Income Properties Under Development

Principal repayments due under the mortgage terms over the following five years are as follows:

	Land Held For Development	Income Producing Properties and Income Properties Under Development
1974	\$ 636,222	\$ 1,018,210
1975	546,461	2,714,793*
1976	515,745	2,077,308
1977	1,287,814	416,611
1978	493,166	571,181
Previous year's current principal portion	540,171	260,408
Weighed average interest rate	7.7%	8.2%

* The Company has the right to renew a \$2,000,000 mortgage due in 1975 for an additional two years on terms to be determined at the time of renewal and it has been the policy of the Company to negotiate the renewal of mortgages on its income producing properties as they mature.

Notes to Consolidated Financial Statements for the year ended December 31, 1973

10. Share Options

The Company established a share option plan in 1970 in which 40,000 common shares of the Company were reserved for allotment. To December 31, 1973, 23,000 options have been granted of which 15,000 have been exercised. One fifth of the options must be exercised each year. During the year, 5,200 shares were issued at prices of \$2.30 and \$3.75 per share, amounting to a total cash consideration of \$14,280. If all remaining options were to be exercised, the dilutive effect on the earnings per share would be immaterial.

11. Interest On Long-Term Debt

Interest on long-term debt included in the statement of earnings amounted to \$1,660,814 (1972 — \$1,100,463).

12. Remuneration to Directors and Senior Officers

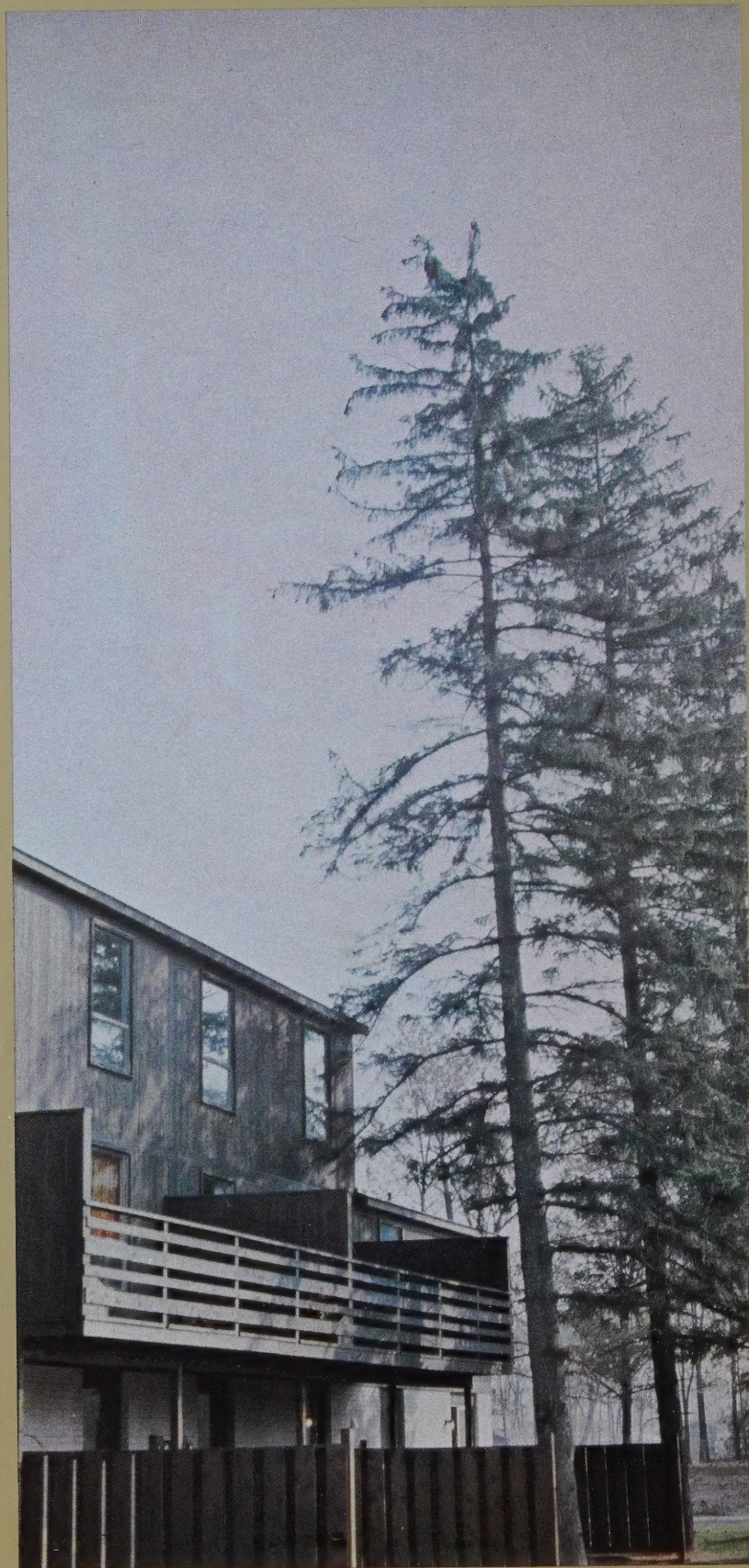
The aggregate remuneration paid or payable by the Company and its subsidiaries to the directors and senior officers of the Company for the year ended December 31, 1973 amounted to \$271,906 (1972 — \$212,351).

13. Contingent Liabilities and Commitments

- (i) The Company has guaranteed bank advances to its 50% owned companies amounting to \$1,980,000. In addition the Company has guaranteed the indebtedness of partially owned companies amounting to \$650,000.
 - (ii) The Company is contingently liable for outstanding letters of credit amounting to \$319,878 at December 31, 1973.
 - (iii) The Company is liable for future minimum lease payments amounting to \$3,062,000 in respect of premises leased to December 31, 2022. A portion of these premises has been sublet producing an anticipated minimum income of \$507,000.
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14. Comparative Figures

Certain information contained in the consolidated financial statements relating to the year ended December 31, 1972 has been reclassified for comparative purposes.



Officers

W. Mowbray Sifton
Chairman of the Board of Directors
of the Company

Kenneth R. Good
President
of the Company

Ronald D. Bedard
Vice-President, Marketing and General Manager
of the Company

Harold F. Durkee
Vice-President, Administration and Finance,
and Secretary-Treasurer
of the Company

Subsidiary Companies 100%

Altec Buildings Limited
Hugh F. Drogemuller — Manager

Dynamo Servicing (London) Inc.
A. John Glinavs — President

The Lakewood Golf Club Limited
Orest Spooner — Manager

Berkshire Village Limited

Affiliate Companies

Sifco Investments Limited — 50%

Sutherland Properties Limited — 50%

Chivalrous Investments Limited — 33⅓%

Managers

George E. Avola
Berkshire Village Townhouses

J. Douglas Campbell, P.Eng.
Land Development

C. Donald Chamberlain
Shopping Centres Division

Carole D. Cole
Secretarial Group

Dennis M. Dalton, C.A.
Controller

Robert C. Eisfeld
Guelph Division

Harold E. Haines
Brantford Division

Ronald F. Hill
Sarnia Corunna Housing

William C. MacDougall
Office & Industrial Rental Division

Campbell B. MacKenzie
London Condominiums

J. Barry McIlwaine, R.I.A.
Data Processing

Kenneth E. Romanuk
Commercial Construction Division

Glen R. Sifton
Simcoe Nanticoke Division

George L. Swan
London Apartment Buildings

Robert S. Trumper
Westmount Housing

Aivars G. Vinters, B. ARCH., MRAIC, RIBA
Planning & Design
Architectural Department

Warren Wolfenden
Whitehills Housing

